



National Metal Processing

October 14, 2004

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PUBLIC SERVICE
COMMISSION

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**Kentucky Public Service Commission
201 Sower Blvd.
Frankfort, Kentucky 40601**

Attention: Elizabeth O'Donnell

Reference: Case Number 2003-00434

My family own and operate National Metal Processing Inc., Richmond , Kentucky. This year we complete our 36th year of business. Our company supplies heat-treat services to various companies throughout the eastern United States. We employ 27 management and hourly personnel. Our business relies on both electric and natural gas to operate our heat-treating furnaces.

My concern is the mid-year changes in the electric rate structure. Our supplier is Kentucky Utilities (LG&E) company.

The following represents the changes that have occurred:

- Electric rate decrease of 21%**
- Demand factor increase of 61%**
- The net result is an increase in electric cost of 40%**

In our business, the demand is usually about 50% of electric usage. The above change results in an electric charge and demand charge being equal. This change will add \$15,000 to our operating cost.

We cannot simply pass these cost increases along to our customers and remain competitive.

This will be another factor in our decision whether or not to remain a Kentucky Company.

Sincerely,

Norman S. Graves, President

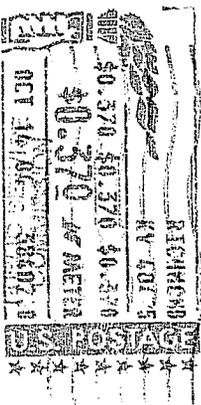
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